

## Economic Conditions

### October 2002

#### Civilian Labor Force

- By historic standards, the current economic downturn in Virginia remains relatively mild. Virginia's unemployment rate increased by one-tenth of a percentage point in August to 4.2 percent. Comparing August's unemployment rate with previous years, the last time it was this high was in 1996 when it was 4.3 percent, a time when Virginia's economy was not in recession.
- The August unemployment rate is 43 percent less than the last recession's peak unemployment rate of 7.4 percent in February 1992. The national unemployment rate of 5.7 percent in August is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 161,100 Virginia workers were unemployed in August 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 19,400 more Virginians were unemployed in August than a year earlier—an increase of almost 14 percent. In addition, 2,600 more Virginians were unemployed in August than July 2002.
- Five of Virginia's eight MSA's had August unemployment rates above the statewide average—Danville (8.3 percent), Bristol (5.9 percent), Lynchburg (5.7 percent), Norfolk-Newport News (4.4 percent), and Richmond-Petersburg (4.3 percent).
- Virginia's August unemployment rate was lower than all nearby states (Georgia, Tennessee, Kentucky, West Virginia, South Carolina, and North Carolina) with the exception of Maryland, which was the same.

		August 02	August 01	August 01 to August 02	
				Net Change	% Change
<b>Labor Force</b>	<b>VA</b>	<b>3,815,534</b>	<b>3,721,533</b>	<b>94,001</b>	<b>2.5%</b>
	<b>US</b>	<b>143,176,000</b>	<b>141,862,000</b>	<b>1,314,000</b>	<b>0.9%</b>
<b>Employment</b>	<b>VA</b>	<b>3,654,475</b>	<b>3,579,879</b>	<b>74,596</b>	<b>2.1%</b>
	<b>US</b>	<b>135,028,000</b>	<b>134,905,000</b>	<b>123,000</b>	<b>0.1%</b>
<b>Unemployment</b>	<b>VA</b>	<b>161,059</b>	<b>141,654</b>	<b>19,405</b>	<b>13.7%</b>
	<b>US</b>	<b>8,148,000</b>	<b>6,956,000</b>	<b>1,192,000</b>	<b>17.1%</b>
<b>Unemployment rate</b>	<b>VA</b>	<b>4.2%</b>	<b>3.8%</b>	<b>----</b>	<b>10.5%</b>
	<b>US</b>	<b>5.7%</b>	<b>4.9%</b>	<b>----</b>	<b>16.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonagricultural Employment

- Nonagricultural employment declined by 27,400 jobs from July 2001 to July 2002. Compared with the last recession a decade ago, the employment decline during this downturn has been relatively mild. Nonagricultural employment reached a peak in December 2000 and bottomed out in February 2002 after declining 3.9 percent. This compares with a decline of 5.4 percent for the 1991-92 recession.
- In the past it has usually taken from two to three years for nonagricultural employment to recover completely from the effects of a recession. If past experience is any guide, recovery from the current downturn should be complete by mid-summer of next year.
- Government and service were the only sectors of the Virginia economy that grew from July 2001 to July 2002, adding 6,800 and 2,300 jobs, respectively.
- The largest job losses in Virginia from July 2001 to July 2002 were in manufacturing (12,100 jobs), transportation and public utilities (11,300 jobs), construction (8,800 jobs), and wholesale and retail trade (3,700 jobs).
- Since July 1990, services has added more jobs than any other sector of the Virginia economy—422,800—and has grown at a faster rate than any other sector—57.1 percent.

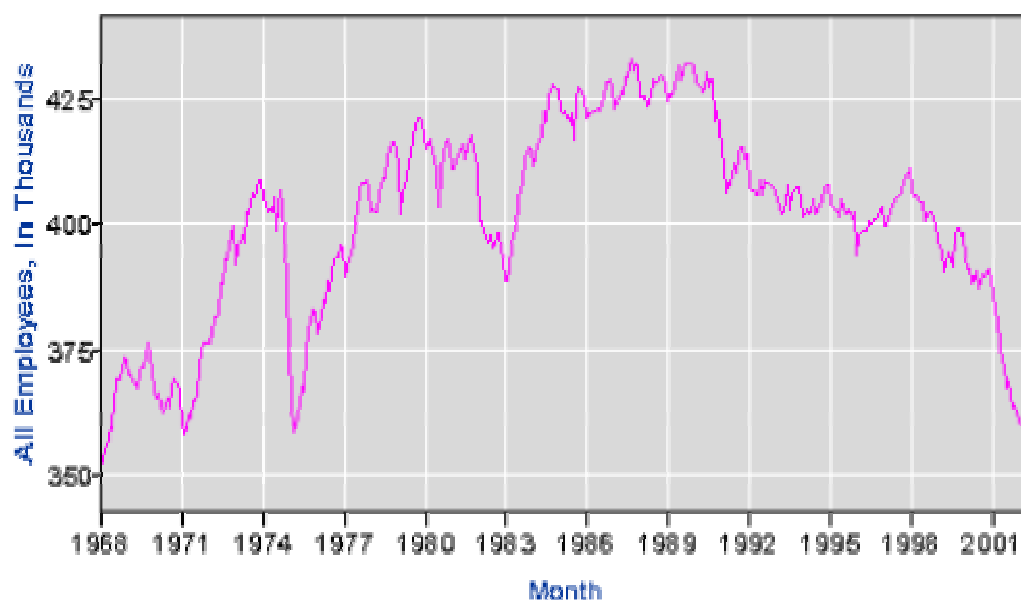
	Current				Historic			
			July 01-July 02				July 90-July 02	
	July 02	July 01	Net Change	%		July 90	Net Change	%
<b>Total</b>	<b>3,490,200</b>	<b>3,517,600</b>	<b>-27,400</b>	<b>-0.8%</b>		<b>2,898,100</b>	<b>592,100</b>	<b>20.4%</b>
<b>Mining</b>	<b>9,700</b>	<b>10,200</b>	<b>-500</b>	<b>-4.9%</b>		<b>15,500</b>	<b>-5,800</b>	<b>-37.4%</b>
<b>Construction</b>	<b>211,600</b>	<b>220,400</b>	<b>-8,800</b>	<b>-4.0%</b>		<b>187,600</b>	<b>24,000</b>	<b>12.8%</b>
<b>Manufacturing</b>	<b>355,600</b>	<b>367,000</b>	<b>-11,400</b>	<b>-3.1%</b>		<b>427,700</b>	<b>-72,100</b>	<b>-16.9%</b>
<b>Trans. and public utilities</b>	<b>178,400</b>	<b>189,700</b>	<b>-11,300</b>	<b>-6.0%</b>		<b>150,700</b>	<b>27,700</b>	<b>18.4%</b>
<b>Wholesale and retail trade</b>	<b>765,700</b>	<b>769,400</b>	<b>-3,700</b>	<b>-0.5%</b>		<b>661,600</b>	<b>104,100</b>	<b>15.7%</b>
<b>Finance, ins., and real estate</b>	<b>194,900</b>	<b>195,700</b>	<b>-800</b>	<b>-0.4%</b>		<b>157,600</b>	<b>37,300</b>	<b>23.7%</b>
<b>Services</b>	<b>1,163,200</b>	<b>1,160,900</b>	<b>2,300</b>	<b>0.2%</b>		<b>740,400</b>	<b>422,800</b>	<b>57.1%</b>
<b>Government</b>	<b>611,100</b>	<b>604,300</b>	<b>6,800</b>	<b>1.1%</b>		<b>557,000</b>	<b>54,100</b>	<b>9.7%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Overview

- In July 2002, manufacturing employment in Virginia reached its lowest level in more than 34 years.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 17.8 percent since then, losing 76,900 jobs, with textiles and apparel accounting for 44,400 of the total. In comparison, manufacturing declined nationally by 14.1 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.6 million jobs through July 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 3.1 percent in July from a year earlier. Among neighboring states, four had greater percentage losses (North Carolina, Maryland, West Virginia, and South Carolina). Three states (Tennessee, Georgia, and Kentucky) had smaller losses.
- Due to significant capital investments and improved manufacturing processes, Virginia's manufacturing workers are much more productive than they were in 1980. The inflation-adjusted value added per manufacturing worker in Virginia increased 80 percent from 1980 to 2000. Virginia manufacturers now require significantly fewer workers than they did in 1980 to produce the same or greater output.

**Virginia Manufacturing Employment, 1968-2002**  
(Source: U.S. Dept. of Labor, Bureau of Labor Statistics)



## Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 3,100 jobs over the past twelve months, a decline of 1.6 percent.
- Job losses were heaviest in two durable goods industries— furniture (2,100) and electronic equipment (1,900). The largest percentage losses were also in furniture (11.1 percent) and electronic equipment (8.1 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment, lumber, and industrial machinery, which grew by 1,800; 1,100; and 100 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,500 jobs, a 38.5 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 5,200 jobs (a 23.5 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years ahead.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,200 jobs since July 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			July 01–July 02				July 90–July 02	
	July 02	July 01	Net Change	%		July 90	Net Change	%
<b>Total manufacturing</b>	<b>355,600</b>	<b>367,000</b>	<b>-11,400</b>	<b>-3.1%</b>		<b>427,700</b>	<b>-72,100</b>	<b>-16.9%</b>
<b>Durable goods</b>	<b>187,100</b>	<b>190,200</b>	<b>-3,100</b>	<b>-1.6%</b>		<b>208,200</b>	<b>-21,100</b>	<b>-10.1%</b>
<b>Lumber</b>	<b>27,100</b>	<b>26,000</b>	<b>1,100</b>	<b>4.2%</b>		<b>25,100</b>	<b>2,000</b>	<b>8.0%</b>
<b>Furniture</b>	<b>16,900</b>	<b>19,000</b>	<b>-2,100</b>	<b>-11.1%</b>		<b>22,100</b>	<b>-5,200</b>	<b>-23.5%</b>
<b>Stone, clay, glass</b>	<b>11,800</b>	<b>12,600</b>	<b>-800</b>	<b>-6.3%</b>		<b>14,700</b>	<b>-2,900</b>	<b>-19.7%</b>
<b>Primary metals</b>	<b>9,800</b>	<b>10,000</b>	<b>-200</b>	<b>-2.0%</b>		<b>11,700</b>	<b>-1,900</b>	<b>-16.2%</b>
<b>Fabricated metals</b>	<b>17,100</b>	<b>17,600</b>	<b>-500</b>	<b>-2.8%</b>		<b>18,200</b>	<b>-1,100</b>	<b>-6.0%</b>
<b>Ind. machinery</b>	<b>27,800</b>	<b>27,700</b>	<b>100</b>	<b>0.4%</b>		<b>22,600</b>	<b>5,200</b>	<b>23.0%</b>
<b>Electronic equip.</b>	<b>21,600</b>	<b>23,500</b>	<b>-1,900</b>	<b>-8.1%</b>		<b>35,100</b>	<b>-13,500</b>	<b>-38.5%</b>
<b>Trans. equip.</b>	<b>40,300</b>	<b>38,500</b>	<b>1,800</b>	<b>4.7%</b>		<b>45,200</b>	<b>-4,900</b>	<b>-10.8%</b>
<b>Instruments</b>	<b>10,500</b>	<b>11,000</b>	<b>-500</b>	<b>-4.5%</b>		<b>10,300</b>	<b>200</b>	<b>1.9%</b>
<b>Misc. mfg.</b>	<b>4,200</b>	<b>4,300</b>	<b>-100</b>	<b>-2.3%</b>		<b>3,200</b>	<b>1,000</b>	<b>31.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 8,300 jobs over the past 12 months, a decline of 4.7 percent.
- Tobacco products added 600 jobs over the past year. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, paper, rubber and plastics, printing, and chemicals, which lost a combined total of 8,600 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have lost jobs since the early 1970s with combined losses totaling 60,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,100 jobs, 11,000 since 1990 alone.

	Current				Historic			
			July 01–July 02				July 90–July 02	
	July 02	July 01	Net Change	%		July 90	Net Change	%
<b>Total manufacturing</b>	<b>355,600</b>	<b>367,000</b>	<b>-11,400</b>	<b>-3.1%</b>		<b>427,700</b>	<b>-72,100</b>	<b>-16.9%</b>
<b>Nondurable goods</b>	<b>168,500</b>	<b>176,800</b>	<b>-8,300</b>	<b>-4.7%</b>		<b>219,500</b>	<b>-51,000</b>	<b>-23.2%</b>
Food products	38,600	38,800	-200	-0.5%		35,700	2,900	8.1%
Tobacco products	8,400	7,800	600	7.7%		12,500	-4,100	-32.8%
Textiles	19,100	24,000	-4,900	-20.4%		41,400	-22,300	-53.9%
Apparel	7,700	9,300	-1,600	-17.2%		27,000	-19,300	-71.5%
Paper	15,500	16,200	-700	-4.3%		16,800	-1,300	-7.7%
Printing	36,500	36,900	-400	-1.1%		35,700	800	2.2%
Chemicals	19,200	19,600	-400	-2.0%		30,200	-11,000	-36.4%
Rubber/plastics	22,600	23,200	-600	-2.6%		17,900	4,700	26.3%
Petroleum/leather	900	1,000	-100	-10.0%		2,300	-1,400	-60.9%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 89.8 percent increase followed by engineering and management services, 55.1 percent, and communications, 28.2 percent. This compares with 26.9 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			July 01-July 02				July 90-July 02	
	July 02	July 01	Net Change	%		July 90	Net Change	%
<b>Nonmanufacturing</b>	<b>3,134,600</b>	<b>3,150,600</b>	<b>-16,000</b>	<b>-0.5%</b>		<b>2,470,400</b>	<b>664,200</b>	<b>26.9%</b>
<b>Communications</b>	<b>57,300</b>	<b>61,100</b>	<b>-3,800</b>	<b>-6.2%</b>		<b>44,700</b>	<b>12,600</b>	<b>28.2%</b>
<b>Business services</b>	<b>311,800</b>	<b>324,600</b>	<b>-12,800</b>	<b>-3.9%</b>		<b>164,300</b>	<b>147,500</b>	<b>89.8%</b>
<b>Engineering and management svcs</b>	<b>148,300</b>	<b>143,000</b>	<b>5,300</b>	<b>3.7%</b>		<b>95,600</b>	<b>52,700</b>	<b>55.1%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in August. On a seasonally adjusted basis the CPI-U also increased 0.3 percent in August.
- The index for energy increased at a 13.5 percent seasonally adjusted annual rate in the first eight months of 2002. The annual rate increase for petroleum-based energy was 32.6 percent.
- For the first eight months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 2.7 percent. This compares with a 1.6 percent increase for all of 2001.

Current			Historic		
Aug. 02	% Change, July 02 to Aug. 02	% Change Aug. 01 to Aug. 02	% Change Aug. 90 to Aug. 02	% Change Aug. 80 to Aug. 02	% Change Aug. 70 to Aug. 02
<b>180.7</b>	<b>0.3%</b>	<b>1.8%</b>	<b>37.3%</b>	<b>116.9%</b>	<b>363.3%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Finance

- The current federal funds rate of 1.75 percent remains unchanged since it was set in mid-December 2001. The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in four decades.
- The Dow Jones Industrial Average, S&P 500, and NASDAQ are currently 32 percent, 45 percent, and 76 percent, respectively, below their all-time highs of two years ago.

	Oct. 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
<b>DJIA</b>	<b>7939</b>	<b>-4.4%</b>	<b>-12.8%</b>	<b>-23.4%</b>	<b>-10.2%</b>
<b>S&amp;P 500</b>	<b>848</b>	<b>-3.4%</b>	<b>-12.5%</b>	<b>-26.1%</b>	<b>-18.4%</b>
<b>NASDAQ</b>	<b>1214</b>	<b>-3.9%</b>	<b>-13.5%</b>	<b>-34.8%</b>	<b>-18.0%</b>

	Oct. 02	April 02	Oct. 01
<b>Federal funds rate</b>	<b>1.75%</b>	<b>1.75%</b>	<b>3.00%</b>
<b>Treasury – 5 year</b>	<b>2.69%</b>	<b>4.83%</b>	<b>3.77%</b>
<b>Treasury – 10 year</b>	<b>3.70%</b>	<b>5.43%</b>	<b>4.54%</b>
<b>Bank prime loan rate</b>	<b>4.75%</b>	<b>4.75%</b>	<b>6.00%</b>

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

For more information contact Jay Ruehrmund, Research Director, at (804) 371-0071 or by e-mail at [jruehrmund@dba.state.va.us](mailto:jruehrmund@dba.state.va.us).